

Finance, Revenue and Bonding Committee

March 21, 2022

**SB 443 An Act Concerning the Tax Incidence Report, Tax Incidence Analyses
and the Disclosure of Returns and Return Information**

Good afternoon Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and the distinguished members of the Finance, Revenue and Bonding Committee. My name is Travis Woodward, I am a resident of Hamden, and an engineer in the Connecticut Department of Transportation. I am also the president of CSEA SEIU Local 2001, a labor union representing over 23,000 state, municipal, board of education, active and retired, public and private sector workers, including the engineers and other transportation professionals in the Connecticut Department of Transportation. I am proud to say that CSEA is an organizational member of Recovery For All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and rebuild a better Connecticut. On behalf of CSEA members, I offer the following testimony in support of Senate Bill 443: An Act Concerning the Tax Incidence Report, Tax Incidence Analyses and the Disclosure of Returns and Return Information.

A tax incidence conducted by the state in 2014 using data from 2011 found that Connecticut's state and local tax system disproportionately hits low- and middle-income earners. This meant that taxpayers earning up to \$48,000 per year spent close to one-quarter of their income on taxes while the top 10% of earners paid just 10% and the top 1% paid an astonishingly low 7.5%.

The follow up report released in February of this year using data from 2019 showed that working people are losing ground. Now, low- and middle-income taxpayers, like me and the members I represent, are paying over one-quarter of our income taxes. And while too many are paying more and more to make less and less, the wealthy's effective tax rate went up just 0.3%.

This upside down tax structure isn't just whacking people who work for a paycheck, it's also messing with small businesses. The 2022 report shows small businesses with adjusted gross incomes of \$500,000 or less, pay a much higher percentage of that income in taxes than businesses that earn \$1 million or more.

Oliver Wendell Holmes, former Justice of the United States Supreme Court, said, "Taxes are what we pay for a civilized society." I am happy to pay my taxes and I deeply value the resources for which they pay. But there's no reason why this system can't be fair. There's no reason why it can't put working people first.

There's something else that is concerning about this 2022 report: DRS Commissioner Boughton and his team chose to utilize a completely different methodology to prepare the 2022 report than was used in 2014. Four tax categories included in 2014 were excluded in 2022 (taxes on utilities, insurance, real estate transactions and estates). In 2014, the data was reported by household, but in 2022 it was by individual. This is not a distinction without a difference. It makes it very difficult to compare the two reports and understand how relative burdens may have changed. Makes you think the changes were a deliberate attempt to hide the true regressive nature of Connecticut's tax structure.

I'm an engineer, so numbers and facts are important to me. When I'm evaluating a transportation project, I use consistent data and proven metrics. Without them, projects can be delayed, or worse yet, unsafe. Consistency and accuracy should also guide legislators as you make critical decisions about our state's finances.

Reasonably accurate forecasting that informs tax policy decisions is what should result from a tax incidence report that provides lawmakers with historical data. With SB 443, we can be ensured that the mistakes of the 2022 report do not happen again. SB 443 will mean that DRS is delivering the consistent and accurate data that legislators need.

To ensure future reports provide a full picture of how tax burdens impact all kinds of taxpayers, including taxpayers of color and women, we encourage the Committee to include the following language after line 21:

(D) For each income class, the racial and gender makeup;

We urge the Committee to support SB 443 with this change. Thank you for the opportunity to testify.

Travis Woodward
President, CSEA SEIU Local 2001